Belarus Economy Monitor:
trends, attitudes, and expectations

**Express Analysis**

Economic Activity and Inflation

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# Belarus's GDP growth slowed significantly in November due to a decline in industrial production

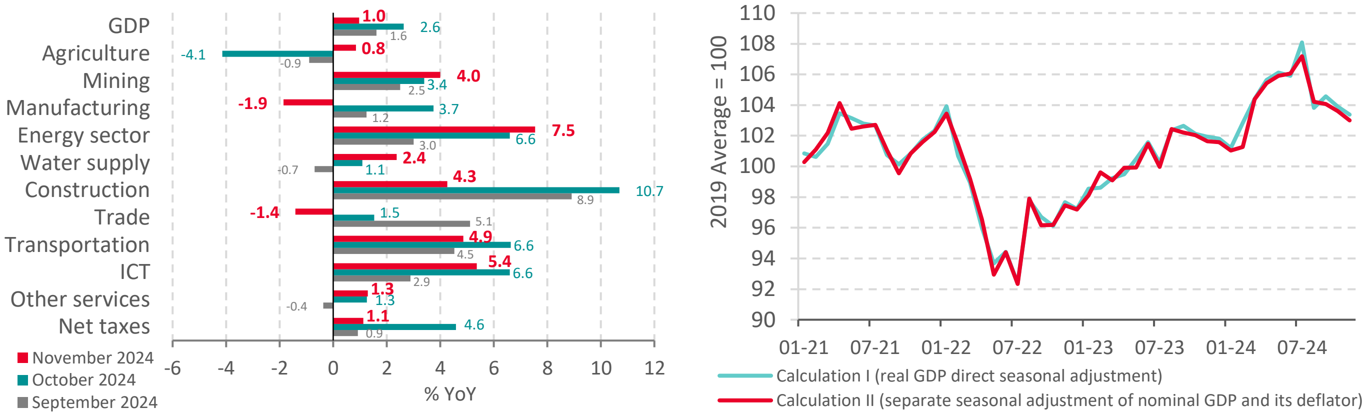
*For January – November 2024, GDP grew by 3.9% YoY, and in November, it increased by ≈1% YoY (Fig. 1.a). GDP volume (seasonally adjusted) in November decreased by ≈0.5% compared to October (Fig. 1.b). The sharp and substantial reduction in production in the Minsk region (Fig. 2.a) weakened output, negatively affecting wholesale trade and freight turnover. This likely reflects the possible decline in potash fertilizer production following Alexander Lukashenko's remarks about considering a 10–11% reduction in potash extraction. As a result of this new growth-limiting factor, Belarus's GDP growth for the current year may fall below previous estimates and not exceed 3.9%.*

*Consumer activity accelerated in November amid strong household lending dynamics. Domestic demand remained overheated, sustaining significant inflationary pressure, as reflected in double-digit price growth for non-regulated services. The tightening of price controls in November contained inflation in the goods segment but at the cost of expanding inflationary overhang.*

Figure 1. Dynamics of GDP and value added in Belarusian sectors

a) GDP growth, month versus the corresponding month of the previous year (%, YoY)

b) GDP volume at constant prices (seasonally adjusted)

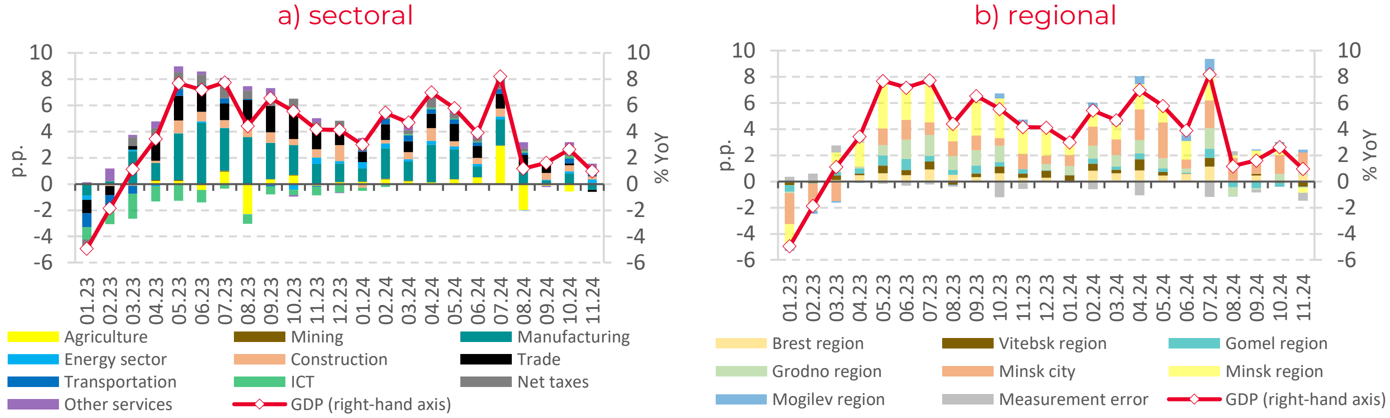



**Note:** The estimates update once the data are verified. Monthly GDP data are estimates.

**Industrial value added decreased by ≈0.5% YoY in November 2024, subtracting ≈0.15 p.p. from annual GDP growth** (Fig. 2.a)

Seasonally adjusted industrial output fell by more than 3% in November compared to October (Fig. 3.a). This decline is linked to the downturn in manufacturing production in the Minsk region. Potash fertilizer output likely decreased following Alexander Lukashenko's suggestion to explore a 10–11% reduction in potash extraction. A decrease in the production of passenger cars cannot be ruled out against the backdrop of a reduction in BELGEE sales in Russia in November. Manufacturing production in the Grodno region also declined in November, which may reflect volatility in nitrogen fertilizer output. However, production in the Gomel and Vitebsk regions increased, likely due to partial, but far from complete, recovery in oil refining. In other regions, manufacturing output remained near previously achieved peaks. Overheated domestic and external demand (particularly in Russia) stimulated production in the food, machinery, construction materials, and possibly light industry. However, labor shortages and the full utilization of production capacities continued to act as barriers to rapid output expansion.

Figure 2. Structure of YoY GDP growth in Belarus




**Note:** The estimates update once the data are verified. The energy sector includes the water supply subsector.

**The weakening of industrial production led to a decline in wholesale trade and freight turnover in November** (Fig. 3.a)

The drop in wholesale trade resulted in a decrease in trade value added by ≈1.4% YoY in November (Fig. 1.a). The sector's contribution to annual GDP growth turned negative, at minus 0.1 p.p. (Fig. 2.a). The growth of transport value added slowed to ≈4.9% YoY in November (Fig. 1.a). The likely reduction in potash extraction may have caused a decline in freight turnover, which remained near multi-year lows – ≈39% below the 2021 level (Fig. 3.a). However, the expansion of passenger transportation, supported by the growth of domestic tourism and strong consumer activity, continued to bolster the transport sector.

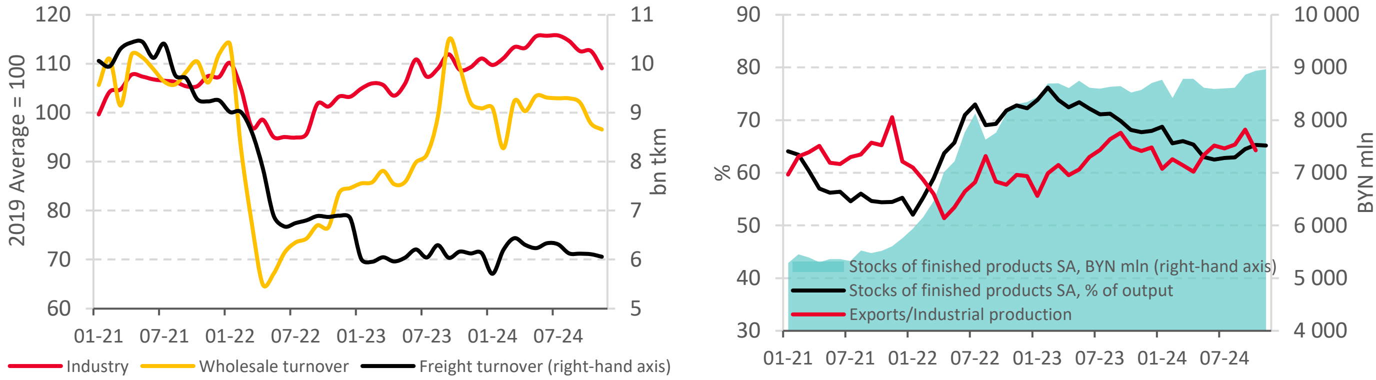
**The ICT sector and a partial recovery in agriculture after previous months' decline made a positive contribution to GDP dynamics in November**

Amid the ICT sector's adaptation to new operating conditions, the value added in information and communications increased by ≈5.4% YoY in November (Fig. 1.a), contributing ≈0.25 p.p. to annual GDP growth. Agricultural value added grew by ≈0.8% YoY in November (Fig. 1.a). The recovery in output after a three-month decline may be linked to the corn harvest, as livestock production dynamics remained subdued.

Figure 3. Dynamics of industrial output, wholesale trade and transport freight turnover

a) real output in industry (SA), real wholesale trade (SA) and freight turnover (SA)

b) industrial stockpiles, and the ratio of goods exports to output




**Note:** SA is a seasonally adjusted indicator. The real volume of wholesale trade has been calculated by deflating the nominal volume by the wholesale trade price index. The real industrial output volume has been calculated based on the Belstat's Industrial Output Index in 2015 prices. The dynamics updates once new data are published.

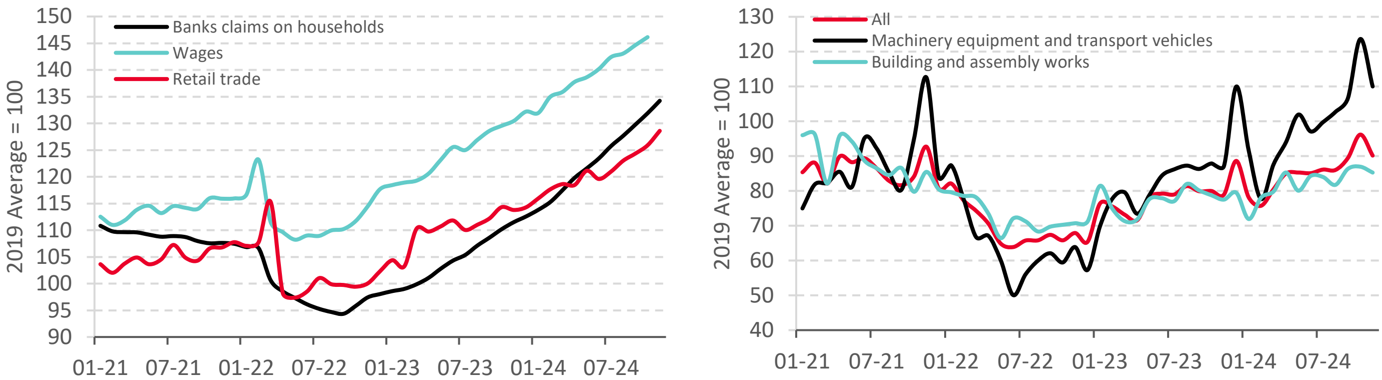
## Consumer demand maintained high growth rates in November and will remain significantly overheated in the short term.

Seasonally adjusted retail trade turnover increased by ≈2% in real terms compared to October (Fig. 4.a), exceeding the average 2021 level by more than 22%. Consumer demand for goods continued to be supported by high credit activity and rising wages (Fig. 4.a). The pace of household lending in November remained extremely high due to the availability of installment plans and household optimism. In the fall of 2024, real wages continued to grow at a rate noticeably outpacing their equilibrium levels and labor productivity growth. In addition to labor shortages, household incomes were stimulated by fiscal policy – consolidated budget expenditures for the current year could increase by more than 5% in real terms. Authorities' plans and ongoing purchases of government bonds by the National Bank (+Br307 million in November) suggest that fiscal stimulus will continue next year, albeit slightly lower than in 2024. Under these conditions (barring significant shocks), consumer demand will remain elevated and significantly overheated in the short term.

Figure 4. Retail trade and investment dynamics

a) retail trade, wages and lending (seasonally adjusted, in real terms)

b) investment (seasonally adjusted, in real terms)




**Note:** Real retail trade volume is calculated by deflating nominal volume by the Consumer Price Index for goods. Real wage has been calculated by deflating the nominal wage by the Composite Consumer Price Index. Real investment indicators have been calculated by deflating nominal investment by construction price indices. The indicator dynamics updates once new data are published.

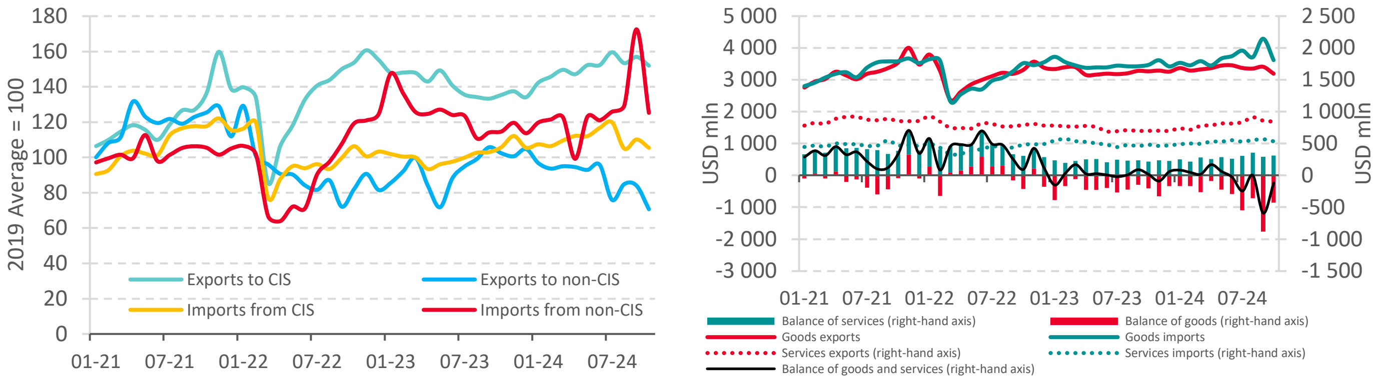
**Investments in November decreased by more than 6% compared to October** (seasonally adjusted) **after the October surge**

Investments in machinery, equipment, and vehicles corrected downward following the sharp increase in October (Fig. 4.b). This heightened investment volatility in recent months is likely related to the statistical impact of turbulent import dynamics, driven by temporary factors (Fig. 5.a). Overall, the volume of capital investments in productive fixed assets relative to GDP remained near pre-pandemic levels. This appears insufficient, all else being equal, to enhance Belarus's long-term economic growth potential (in the previous decade, Belarus's potential GDP growth averaged around 1% per year). The volume of construction work (seasonally adjusted) also declined in November compared to October (Fig. 4.b), which slowed the annual growth of construction value added from ≈10.7% YoY in October to ≈4.3% YoY in November (Fig. 1.a).

Figure 5. Dynamics of foreign trade indicators

a) value volumes of goods exports and imports (seasonally adjusted)

b) value volumes of foreign trade (seasonally adjusted)




**Note:** The indicator dynamics updates once new data are published.

**The trade deficit in goods and services narrowed significantly in October to nearly $0.1 billion** (seasonally adjusted; Fig. 5.b)

The reduction in the deficit was driven by a decline in imports of goods from non-CIS countries, which fell by $0.6 billion in October compared to September (seasonally adjusted) after a temporary spike earlier in the autumn caused by short-term factors (Fig. 5.a). Exports of goods decreased by slightly more than $0.2 billion in October compared to September (seasonally adjusted). Shipments to non-CIS countries declined significantly, likely reflecting lower volumes of oil refining. In November, a further negative impact is expected from reduced potash production. Exports to CIS countries remained on a sideways trend due to increasing competition in Russia and the lack of capacity and labor in Belarusian industries to significantly expand output.

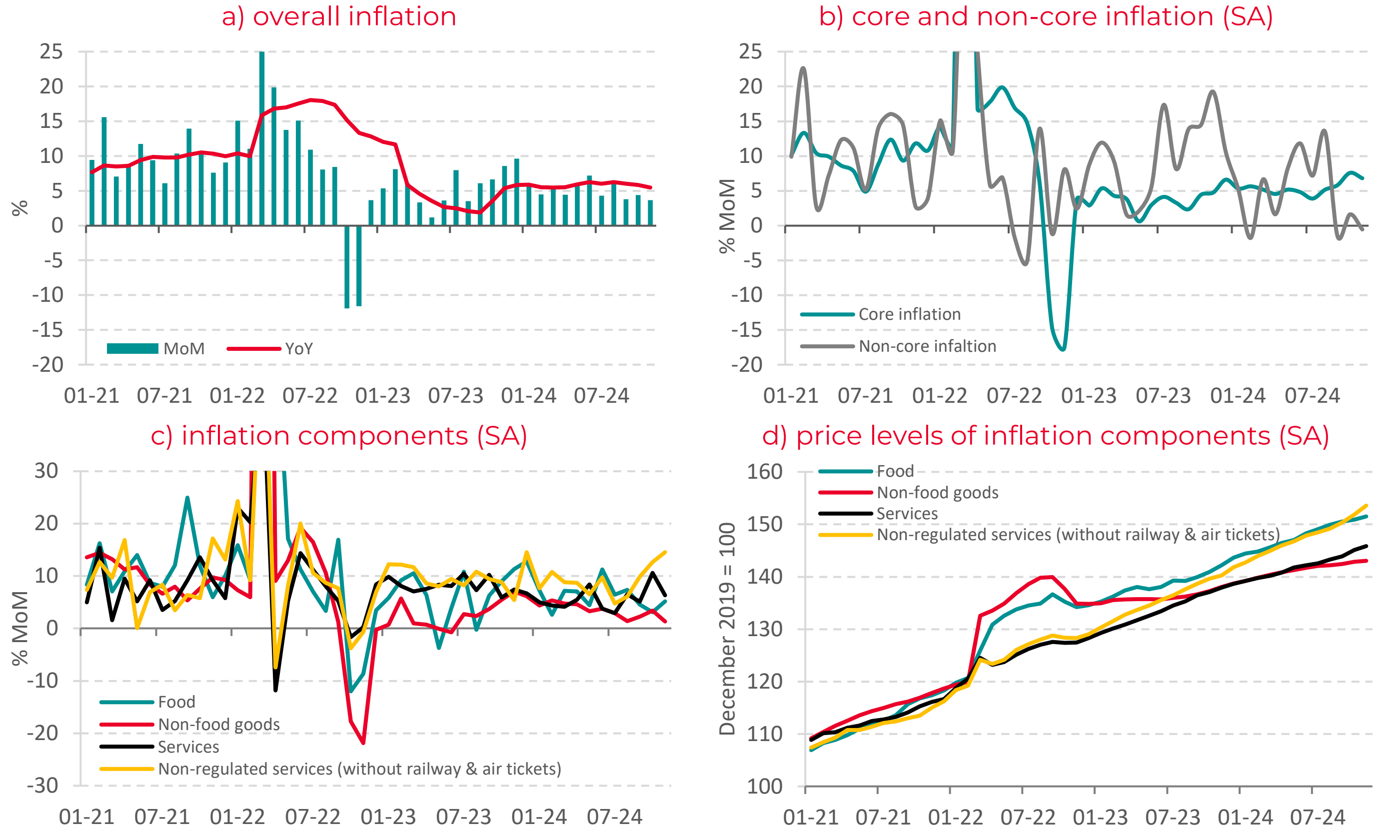
The trade surplus in services remained around $0.3 billion in October (seasonally adjusted), partially offsetting the goods segment deficit (which was slightly more than $0.4 billion). Nonetheless, the overall trade balance remained in deficit amid overheated domestic demand. By the end of the year, the trade balance in goods and services is expected to be negative, close to 1% of GDP.

**Inflation decreased in November due to tighter price controls**

Annual inflation fell from 5.9% YoY in October to 5.5% YoY in November. The annualized monthly price growth rate dropped to ≈3.7–4.3% (seasonally adjusted, MoM; Fig. 6.a).

**Non-core inflation remained extremely subdued in November** (Fig. 6.b). Seasonally adjusted prices for fruit and vegetable products declined significantly. Prices for potatoes, cabbage, onions, beets, carrots, and apples fell unusually sharply for November. These are the specific items for which the government set maximum wholesale and retail prices during the off-season. Administratively regulated prices and tariffs also grew at low rates in November – below 3.5% MoM – likely reflecting the authorities' intention to keep inflation below 6% by year-end.

Figure 6. Inflation dynamics in Belarus




**Note:** YoY (year-on-year) is a monthly growth rate versus the corresponding month of the previous year; MoM (month-on-month) is an annualized monthly growth rate (seasonally adjusted) versus the previous month. SA is a seasonally adjusted indicator. The dynamics updates once new data are published.

**Core inflation slowed from ≈7.6% MoM in October to ≈6.8% MoM in November 2024** (Fig. 6.b) **due to near-zero price dynamics for non-food goods** (Fig. 6.c). This dynamics may reflect the effects of November's adjustments to the price control system (restrictions on price increases for November-December 2024) – price growth for 30 out of 47 major non-food items decreased in November (seasonally adjusted).

At the same time, **inflation in non-regulated services remained extremely high – over 14% MoM in November, or approximately 14.5% MoM when excluding the highly volatile international rail and air transportation** (Fig. 6.c). Taxi services saw significant price hikes, but even excluding their impact, the annualized monthly price growth in the market-based service segment would still exceed 10% MoM (seasonally adjusted). The median price growth for this group of services is estimated at about 13.2% MoM in November. Overheated domestic demand and soaring labor costs continue to sustain significant inflationary pressure. The price level deviation for non-regulated services, which exceeds that of non-food goods by more than 7%, signals a growing inflationary overhang and increased risks to price stability in the medium term (Fig. 6.d).

Additional inflationary pressure in November came from rising prices in Russia (notably reflected in the significant increase in dairy product costs in Belarus) and higher global prices for coffee and cocoa.

## Inflation is expected to settle near 5.4% YoY by the end of this year

The government's actions in Q4-2024, aimed at presenting a picture of low inflation for 2024 through administrative measures, have led to a growing inflationary overhang. If the tightening of price controls is short-lived, there are unlikely to be significant consequences for product variety or firms' financial health. However, the buildup of a substantial inflationary overhang will likely force the authorities to ease price controls in 2025, leading to inflation rising to 6–8% YoY, assuming no additional major shocks occur.